

*OC was responsible for providing catering services at the Games Village and venues for athletes and team officials, CGF/ CGA officials, VIPs, technical officials and media persons, volunteers, workforce, contractors and spectators.*

*We found inexplicable delays in planning for catering services, as well as in the execution of various catering-related activities. The catering contracts for CWG-2010 were awarded only between May and August 2010, in contrast to the scenario for Melbourne CWG-2006 and London Olympics 2012 where these were awarded more than a year in advance.*

*There were numerous irregularities in the award of the Games Village catering contract. The process of award took 14 months, with two rounds of tendering, both on single financial bids. The cancellation of the first tender by the Chairman, OC was not only against the recommendations of OC officials, but was also done after opening the single financial bid on the Chairman's verbal orders. This decision to re-tender weakened the OC's negotiation position vis-a-vis the vendors and resulted in frantic activity upto June 2010 for conclusion of four separate contracts/ agreements.*

*The process for award of venue catering contracts was also flawed, with unusual delays. This witnessed one round of cancellation of tenders, and floating of three new RFPs as late as July 2010, with compromises on transparency, quality and economy (due to insufficient competition). Consequently, there were numerous complaints about the venue catering services, resulting in emergency arrangements during the Games time.*

## 11.1 Planning for Catering Services

Catering for all the under mentioned categories of persons was an activity which was solely the mandate of the OC.

- athletes and team officials;
- CGF/CGA officials and VIPs;
- technical officials and media persons;
- volunteers, workforce, and contractors; and
- spectators.

We found totally inexplicable delays in planning for catering services:

- The catering functional area in the OC was activated only in January 2009 (against the original deadlines of June 2007) with the appointment of an Assistant Project Officer.
- The first draft operational plan for catering was prepared only in March 2009; also, a comparison of the sequence of actual catering-related activities vis-a-vis the operational plan revealed substantial deviations, raising serious doubts as to the actual implementation of the plan.



## 11.2 Contrast between CWG 2010 and Melbourne 2006 and London Olympics 2012

The catering contracts for CWG-2010 (Oct 2010) were awarded only between May and August 2010. By contrast, the contracts for Melbourne CWG-2006 (Mar 2006) were awarded in February 2005. The contracts for the London Olympics 2012 (July 2012) have already been awarded in February 2011.

Only one tie-up between the catering contracts and sponsors in the catering area could be arrived at, due to the enormous delays and uncertainties in finalisation of contracts for both sponsorship and catering. By contrast, the roles of the Olympic sponsors (McDonalds, Coca-Cola and Cadbury) vis-a-vis other catering service providers (incumbent and future) for London-2012 were clearly identified as early as in December 2009.

Catering requirements were divided into 11 tender packages, based on their location, size and scope –

- one for Catering for the Games Village (CGV);
- eight for clusters of venues; and
- two for non-venues (airport/ International Broadcasting Centre).

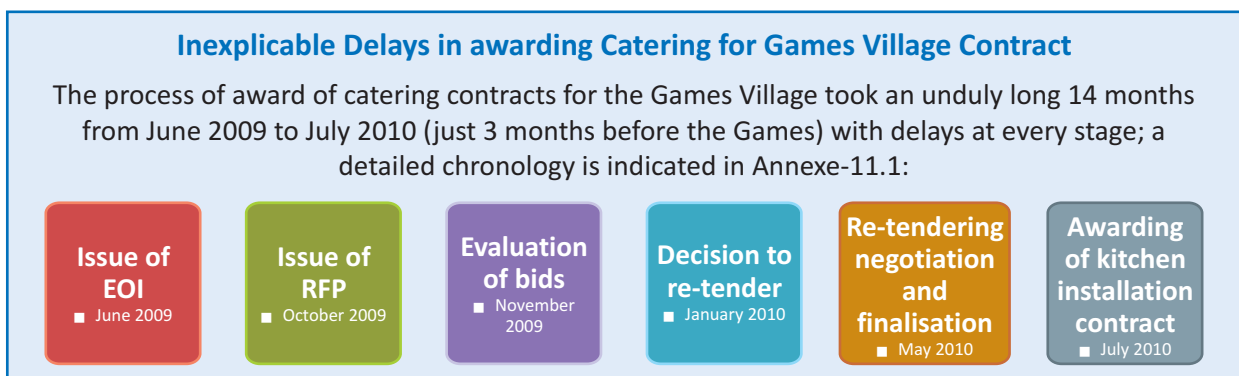
EOI were issued in June 2009 for all 11 tender packages; the Games Village package was processed first. The RFPs for the other 10 packages were staggered.

## 11.3 Award of Catering for Games Village (CGV) Contract

As per the HCC, the OC was to provide a variety of meals to all athletes, round the clock, in the Games Village. The food in the Games Village was to be prepared taking into consideration the special needs of high performance athletes, as well as national and religious habits and traditions of the competitors. More than 8000 athletes and officials were expected to stay in the Games village and to have food there. The catering contract was envisaged in two parts:

- Part A – for provision of catering services; and
- Part B – for kitchen design and construction

Figure 11.1 — Award of Games Village Catering Contract



We found serious deficiencies in the tendering/ award process:

- Global tendering, requiring issue of advertisement in the Indian Trade Journal and consultation with Indian embassies abroad and foreign embassies in India, was not followed at any stage.
- Although four bidders were technically qualified (after evaluation of responses to the June 2009 EOI), only one party – Delaware North Company Australia (DNC) submitted a financial bid<sup>1</sup>.

## Questionable Decision by Chairman to re-tender

The Evaluation Committee noticed that DNC had not submitted the EMD with its technical bid, but still decided to continue with technical evaluation. The Committee recommended, in December 2009, condonation of non-submission of EMD and opening of the commercial bid. The CEO recommended EB approval for such condonation. However, on verbal orders of the Chairman on 11 December 2009, the commercial bid of DNC was opened.

A month later, on 12 January 2010, the Chairman ordered re-tendering, due to non-submission of EMD<sup>2</sup>. Despite SDG Catering's advice of 13 January 2010 that such re-tendering would take about 3-4 months with disastrous consequences and a subsequent e-mail from 19 January 2010 from DNC confirming that it was committed to depositing the EMD, the decision to re-tender was communicated to DNC on 2 February 2010. OC informed (December 2010) us that the Chairman was requested repeatedly for immediate decision on the DNC bid, but "due to reasons known to him" decided to re-tender the contract.

This was based on a reversal of opinion by Shri Jeychandran, JDG (F&A) and Shri Ram Mohan, DDG (Legal) (who were part of the evaluation committee recommending condonation), now agreeing with the Chairman's decision to re-tender. CEO's direction to submit this decision for OCFC's consideration was rebutted by the views of Shri Jeychandran and Shri Ram Mohan that the Chairman was the competent authority. The decision was never put up for the approval of either the EB or the OCFC.

As described below, the decision to re-tender unleashed frantic activity between March and June 2010 for tendering, negotiation and conclusion of four separate contracts/ agreements - with DNC for catering, PKL for procurement of kitchen equipment; Balmer-Lawrie for airlifting of kitchen equipment, and Constellation-Aster for kitchen installation and additional equipment. At this stage, every delay (howsoever minor) weakened the negotiating position of the OC, leaving it at the mercy of vendors.

In a separate response, Shri Kalmadi indicated that it was incumbent on the OC to reject the bid in the light of non-submission of EMD, and there was no occasion to seek the approval of the EB for enforcement of stipulated tendering conditions; hence, his decision was not questionable. We do not agree, for the reasons indicated above.

<sup>1</sup> In consortium with TajSATS and PKL London

<sup>2</sup> As already pointed out (Annexe 7.3 F), in three other previous contracts, the OC took a contrary position by condoning the non-submission of EMD.

- After re-tendering in February 2010, only one bidder (DNC) was found technically qualified, and its financial bid opened on 26 March 2010 (in their presence). However, on 30 March 2010, DNC stated that PKL, their partner for kitchen design and construction had refused to participate (*“due to frustrations and concerns about OC's processes and procedures to meet deadlines”*) and asked OC to directly negotiate with PKL (while also stressing that only PKL should be appointed as the equipment supplier).
- We did not find evidence of a valid consortium between DNC and PKL/ TajSATS (whose staff strength was included in DNC's bid document to meet the manpower requirements stipulated in the RFP). Further, the re-evaluation of technical bids after change in scope of work (removal of kitchen design and construction) was not done. Despite several deficiencies in the DNC bid, OC had no choice but to go ahead with the contract with DNC, nor was it able to enforce any penal measures against DNC for suddenly backing out from part of the bid. This was because the sequence of delays had left OC with no options in this regard.
- OC separately negotiated with PKL, who offered only outright purchase of the ex-hire (used) kitchen equipment (rather than hire), which was done in May 2010. At this stage, OC was in a weak negotiating position, which was exploited by DNC and PKL.
- Due to the delayed finalisation of the kitchen equipment contract with PKL, OC was forced to airlift the kitchen equipment in July 2010 from London at

a cost of Rs. 8.59 crore through Balmer-Lawrie.

- OC awarded a separate contract in June 2010 for purchase of additional equipment and installation of kitchen equipment purchased from PKL to a consortium of Constellations and Aster Technologies. A time limit of just 10 days (which was not extended) was provided for submission of bids. Further, Constellation did not qualify on its strength; Aster Technologies, whose role was not indicated in the bid, was evidently included only to meet the criteria of annual turnover of Rs. 15 crore. Incidentally, Shri Sunil Khanna, who was appointed in May 2010 as a consultant in the OC's Catering Functional Area, was already associated with Aster Technologies; this clear conflict of interest was not documented before award of the contract. Shri Khanna resigned from the OC on 13 June 2010<sup>3</sup> citing his association with Aster Technologies. It appears that his sole interest in the OC was to facilitate award of the contract to the Constellations – Aster Technologies consortium.
- The kitchen was ultimately handed over by the OC to DNC only on 9 September 2010 (as against the contractually stipulated date of 15 August 2010). OC attributed this delay to DDA's failure to hand over the kitchen area in time.

In response, OC accepted that *“the decision making authority kept on postponing the decision. The merry go round of the SFC-*

<sup>3</sup> Shri Khanna purportedly joined on 24 May 2010. However, the head of OC's Workforce Functional Area indicated that he learnt of Shri Khanna's joining only on his resignation.

EMC-EB-EMC-Chairman-EB took a heavy toll on precious time.” OC also agreed that a prompt decision in April 2010 could have ensured transportation through shipping instead of airlifting, but stated that “taking

prompt decision was never a strong point with OC”.

The financial implications of the numerous changes in the Games Village Catering Contract are summarised below:

**Table 11.1 – Financial implication of changes to Games Village Catering Contract**

| November 2009                       | March 2010                         | May - July 2010  | December 2010 (Payments) |
|-------------------------------------|------------------------------------|--|--------------------------|
| <b>DNC's Original Financial Bid</b> | <b>DNC's Revised Financial Bid</b> | <b>Contract with DNC - Rs. 66.59 crore</b>                               | Rs.57 crore              |
| <b>Part A – Rs. 52.20 crore</b>     | Part A – Rs. 57.96 crore           | <b>Procurement from PKL - Rs. 8.63 crore</b>                             | Rs.8.63 crore            |
| <b>Part B – Rs. 18.95 crore</b>     | Part B – Rs. 21.10 crore           | <b>Contract with Constellations/ Aster - Rs. 9.50 crore</b>              | Rs. 9.50 crore           |
|                                     |                                    | <b>Airlifting of kitchen equipment by Balmer Lawrie - Rs. 8.59 crore</b> | Rs.8.59 crore            |



**View of the dining area in the Games Village**

From the available documentation, we are unable to explain how the purchase price of equipment from PKL (Rs. 8.63 crore), even after clubbing with the Constellations/ Aster contract (Rs. 9.50 crore), was lower than the corresponding components of DNC's original and revised financial bids (which were on hire basis).

In response, OC indicated that there would be substantial savings of Rs. 9.4 crore on the DNC contract. Although the 527,227 meals provided exceeded the estimate of 480,435 meals, there were savings on account of overhead charges on actual basis, office space provided by the OC and Value-In-Kind (VIK) sponsorship from Coca Cola.



### Kitchen equipment lying in packed condition post-Games

OC has still not been able to either dispose of the kitchen equipment or transfer/ redeploy it to a Government/ semi-Government body or institution. We recommend that the OC and MYAS take immediate action on this account, as the value of such equipment is continuously depreciating with time. Meanwhile the equipments are lying in the Games Village.

In our opinion, the lack of adequate competition for the Games Village Catering Contract from organizations with requisite global experience and credentials<sup>4</sup> is strange, to say the least. DNC was the only truly eligible bidder with global experience in both rounds of tendering and it was, in a sense, inevitable that the contract would be awarded to DNC without financial competition.

From the documentation made available to us, we found no evidence of OC systematically having identified the large global players who had relevant experience over the last 10 years or so, or having encouraged such players to respond to the EOI (so as to promote adequate competition). Lack of competition was further accentuated by the OC's delays in planning and tendering/ approval, which left little time

- both for the catering agency to finalise its operational and logistical plans and for the OC to scout around for alternatives.

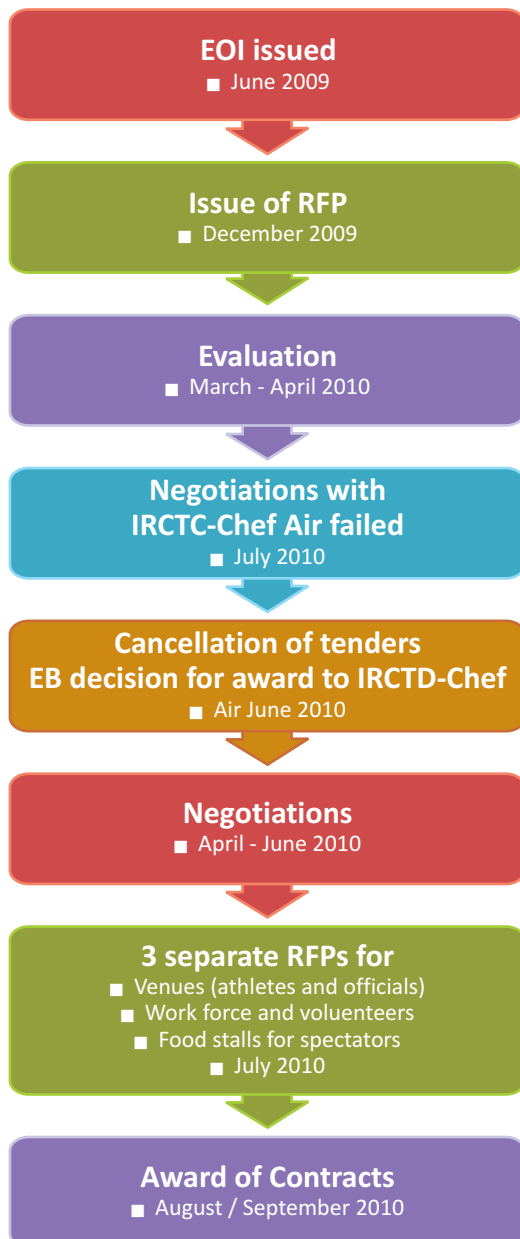
## 11.4 Catering at venues and non-venues

Although a common EOI was issued in June 2009 for the Games Village package and ten other catering packages (8 venue clusters and 2 non-venue clusters), the RFPs for the Games Village package and the other packages were to be issued in a “staggered manner”, purportedly to ensure proper framing of the Scope of Work. This merely ensured more delay for the venue and non-venue clusters; 13 out of 16 bidders were qualified, and RFPs issued to them only in December 2009.

<sup>4</sup> e.g. Aramark, the largest food caterer in the US, which provided catering services at the Beijing Olympics 2008 did not show any interest, even at the EOI stage.

Inexplicably, catering for spectators at venues was not planned specifically as a revenue generation activity, and was clubbed with other catering services (which were cost centres, to be paid for by the OC). Further, the scope and range of catering services for spectators and others (and consequently the pool of potential service providers) were quite different; this was also not considered at the planning stage.

Figure 11.2 – Award of catering contracts for venue/ non-venue clusters



The process of award of catering contracts for the venue/ non-venue clusters took an even longer 15-16 months from June 2009 to August/ September 2010, with several flip-flops; a detailed chronology of events is listed in Annexe 11.2.

In our view, the delays and frequent changes are indicative of complete ad hocism:

- The RFP for venues/ non-venues was issued in December 2009, a full six months after the EOI, purportedly to ensuring proper framing of the scope of work. However, the last date for submission of bids to the RFP was extended twice due to changes in templates and the size of the work, indicating extremely poor estimation of requirements;
- In the first round of bidding, IRCTC submitted bids for all venue clusters<sup>5</sup>, with four other bidders for selected clusters;
- The first attempt by the Chairman, OC to cancel the tendering process took place in March 2010 after the technical evaluation, when he indicated that many reputed firms like ITDC had not participated. However, the commercial evaluation was allowed to proceed on the SDG Catering's advice that delays would escalate cost and make it difficult to meet deadlines;
- Multiple rounds of negotiations were carried out over three months (April-June 2010) with the five bidders for the clusters where they were L-1. The total estimated expenditure came down from Rs. 77.94 crore to Rs. 68.46 crore.

<sup>5</sup> There were no bids at all for the two non-venue clusters.

- The results of these negotiations were nullified in June 2010, when the Chairman suggested cancellation of all tenders and nomination of IRCTC-Chef Air, which was endorsed by the EB; and
- After negotiations, though IRCTC agreed for a total amount of Rs. 43.83 crore, OC decided in July 2010 not to accept the IRCTC offer and float new RFPs. At this point of time, Shri Jiji Thomson SDG Catering clearly expressed his strong objection to floating new RFPs with diluted eligibility criteria and service levels (which would result in taking on board contractors with no proven experience in catering to such mega events) and requested that he be relieved of the responsibility of the Catering Functional Area, as he wanted to distance himself from such a move<sup>6</sup>. Subsequently, the responsibility for this functional area was handed over to Shri Sanjiv Mittal, JDG (Procurement) (with SDG Catering to continue to “supervise” the work), and new RFPs were floated.

## 11.5 Floating of three “new” RFPs in July 2010

Three separate RFPs were issued on 19 and 24 July 2010 for appointment of:

- Agency for operating food stalls for providing food and beverages to spectators as “user pay service” at 8 venue clusters;
- Caterers for all lounges (for athletes, officials and VIPs) in competition and training venues; and

<sup>6</sup> Interestingly, this file was returned by the Chairman's Office only in December 2010 to the Catering Functional Area.

- Caterers for supply and distribution of food packets to workforce, volunteers, security personnel at all venues (except the Games Village).

The RFPs provided just 6-10 days time for bidding, thus restricting participation (as pointed out by SDG Catering).

### 11.5.1 Agency for operating food stalls for spectators

In August 2010, OC selected Fast Trax, which was the H-1 bidder offering Rs. 0.93 crore for all eight venue clusters, as the agency for operating food stalls for providing food and beverages to spectators. The MoU was signed only on 27 September 2010 and was badly drafted<sup>7</sup>.

#### Safety of Food for Spectators

Initially, the RFP stipulated submission of lab test reports for the last three months; this was relaxed to submission of food safety certificates (HACCP/ ISO 22000) in lieu thereof. Further, Fast Trax's bid for catering at the lounges (for athletes, officials and VIPs) and provision of food packets for workforce and others was rejected due to non-submission of HACCP certificate. In fact, Fast Trax's offer of Value-in-Kind sponsorship of Rs. 8 crore for food packets was rejected on this account.

Clearly, while the OC was unwilling to compromise on food safety standards for the Games Family (and association of the Games brand with non-HACCP agencies for such catering), it did not accord the same priority to food safety for spectators.

<sup>7</sup> The MOU indicated the date of payment of the second installment as 23 September 2010, which had already elapsed.



The entire amount was to be paid in advance – 25 per cent on signing of the MoU, 50 per cent by 23 September 2010, and 25 per cent by 2 October 2010. However, as of December 2010, OC had received only Rs. 0.38 crore. In response, OC indicated they were taking legal recourse for recovery of the balance amount.

### 11.5.2 Caterers for Lounges at Competition and Training Venues

We found significant deficiencies in the tendering process for catering for lounges:

- For two venue clusters – 1 and 2, multiple bids were received, and the contracts were awarded by the Fast Track Committee to the L-1 bidders - Graviss Hospitality and IRCTC, at Rs. 5.2 crore and Rs. 1.7 crore respectively. For cluster 4, a single bid was received from Seven Seas at Rs. 2.0 crore and accepted. However, IRCTC's single bids for clusters 3, 7 and 8 (at Rs. 1.40 crore, Rs. 0.80 crore and Rs. 3.2 crore) were rejected on being found “very expensive”. Clusters 5 and 6 received no bids, but received fresh bids for Rs. 1.90 crore and 1.20 crore from Graviss (under a new clause of “right of first refusal” for technically qualified bidders evolved by the Committee); these were, however, rejected.
- The Committee cancelled the bidding for clusters 3,5,6,7 and 8, and called for “snap bids” in 24 hours from the same three bidders (IRCTC, Graviss and Seven Seas). After this round of “snap bidding”, cluster 6 was awarded to Graviss at Rs. 0.74 crore, and clusters 3,5,7 and 8 to Seven Seas at Rs. 1.20 crore, Rs. 0.90

crore, Rs. 0.78 crore and Rs. 1.38 crore respectively.

- Additional work of providing hot meals to athletes and team/ technical officials for lawn bowls venues was awarded to Graviss at Rs. 0.36 crore.

**OC followed an arbitrary approach in this process. In the first round, Seven Seas was awarded a cluster on single bid, but IRCTC did not receive the same consideration for three clusters where it was a single bidder. Instead of negotiations with all single bidders for reducing the costs, OC evolved an unusual and irregular practice of “snap bids”, which involved complete lack of transparency.**

**Interestingly, while the catering rates for the lounges for athletes and technical officials ranged from Rs. 450 to Rs. 600 per head per day, the corresponding rates at the lounges for the VIPs and Games Family ranged from Rs. 1190 to Rs. 2356.**

### 11.5.3 Caterer for supply and distribution of food packets

Out of seven responses, OC found five firms technically qualified and awarded the work to the L-1 bidder, AFP Manufacturing Co. Pvt. Ltd (a manufacturer of namkeen, snacks and bakery products), at a cost of Rs. 8.75 crore. However, we found that AFP Manufacturing was ineligible and was irregularly qualified by the OC:

- They did not provide details of catering processes, equipment details, manpower, transport, kitchen equipment etc., as stipulated in the RFP. Instead, they submitted an MOU dated 30 July 2010<sup>8</sup> with Co-ordinators, who

<sup>8</sup> Last date of submission of bid

also did not provide such details but merely indicated a list of recent clients.

- The HACCP certificate for AFP Manufacturing was for their unit at Bhiwadi, manufacturing namkeen and bakery products and not for any catering services. This issue was flagged by the catering consultant and SDG Catering. Subsequently, AFP submitted an HACCP certificate for hospitality and catering for Ekta Shakti Foundation, a body under the “umbrella” of AFP with experience of supplies for the Mid-day Meal Scheme<sup>9</sup>.

OC's failure to examine AFP Manufacturing's capability for such large scale catering services before awarding the work to it resulted in total chaos. AFP's base kitchen was not found satisfactory during OC's inspection on 25 September 2010. Further, OC's estimation of the requirement of meals also went up by more than 100 per cent, and AFP was found incapable of serving such large requirements. AFP also indicated their inability to provide packed lunch and dinner before 1 October 2010. OC was forced to make alternate arrangements:

- Engagement of 19 new caterers (in two phases);
- Engagement of Kohinoor Foods for retort<sup>10</sup> food as a back-up solution;
- Use of vehicles and manpower of AFP; and
- Buffet solution (along with on-site packing) at JLN Stadium, and provision of dry snacks from AFP.

<sup>9</sup> By contrast, Fast Trax was declared ineligible for want of the HACCP certificate.

<sup>10</sup> Food in a flexible sealed pouch or package which can be stored for long periods without spoiling

**Besides additional expenditure of Rs. 4.23 crore, the arrangements for catering for the work force turned out to be chaotic, with numerous complaints about non-service and unhygienic food from various categories of users.**

**Incidentally, OC had engaged TQS for food audits at all locations at a cost of 0.88 crore. Although the food audit reports were available on OC's records, there were numerous complaints about food quality. Further, food audit of the base kitchens of some of the caterers could not be conducted, as even JDG/SDG Catering were not aware, till the last minute, of the source of food supply for each venue.**

## 11.6 Catering at Airport

Catering at the airport originally constituted Cluster 11 at the stage of the initial EOI of June 2009. This aspect was not considered subsequently till 20 September 2010, when the need for providing meals at the airport from 23 September 2010 to guests and workforce was flagged. After discussions with Delhi International Airport Ltd. (DIAL), OC appointed two existing caterers at the airport – Premium Port Lounge Management and Global Gourmet – out of the five caterers suggested by DIAL. OC incurred a total expenditure of Rs. 0.75 crore for catering at the airport.